

CLEAN-ALL

Growth strategy
Retail

Low difficulty
Interviewer-led case

This case involves a discussion on how to increase the growth of an established cleaning company that's under threat from new market entrants.

All elements of the case interview scorecard are assessed. This is an entry level case.

Problem definition

Clean-All, a fast-growing privately held company based in Nigeria, runs laundry outlets in 5 regions across the country. The company is engaged in three areas of business: machine-based clothes washing, hand washing of delicate clothes and ironing of clothes.

The company was started ten years ago and has grown very quickly almost every year since. However, the owners are now concerned because its growth has slowed down and for the last 2 years, Clean-All's growth has plateaued. 5 years back, there were only 5 players in the market; however, recently many new laundry startups have entered the market and have taken market share from the traditional players such as Clean-All. Clean-All's leadership team have called you to advise on possible revenue growth strategies in light of this.

What factors would you consider in advising Clean-All?

Additional information

If asked, please share that:

- The owners are looking for tactical growth initiatives that will increase their topline by at least 10% year-on-year for 3 to 5 years

Question 1 (Structuring)

How would you structure your approach to the question?

Possible answer

1. *Grow our core offering:*
 - a. *Open more stores (e.g., target new cities)*
 - b. *Grow customer numbers per store (e.g., marketing, deals)*
 - c. *Grow spend per customer (e.g., price increase, bundled deals, up-selling, loyalty schemes)*

2. *Grow in new areas:*
 - a. *Launch a new product or service line within our current brand (e.g., clothing repairs, dry-cleaning)*
 - b. *Launch a new operating model to compete with laundry start-ups (e.g., pick-up and drop-off laundry services)*

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Question 2 (Judgement & Insights)

Your team has done some industry research which suggests that the laundry industry landscape in Nigeria is changing rapidly. The new startups entering the industry are offering several value-added services that are luring customers in. The following exhibit shows the value-added services being offered and the cost and profit potential if Clean-All was to offer the same service. **Which of these should Clean-All consider as the highest priority?**

Additional information

- The estimated revenue impact is impact *on Clean-All*
- There is no single right answer to this question
- If the candidate has not asked for the client's growth goal (10% year-on-year) then share this with them as they consider their answer.

Possible answer

- *Offering shoe-shine seems optimal from a run-rate profit perspective, but from a growth standpoint it isn't sufficient on its own and the capital expenditure requirement is relatively high. I would want to see whether there is opportunity to reduce the up-front cost and/or increase the growth and profit impact in any way.*
- *Clothing sanitization is less costly to implement and has a good profit and growth run-rate, but is not as high-performing on either measure as shoe-shine and still doesn't meet the 10% year on year target.*
- *Overall, since only the free pick up and drop off offering meets Clean-All's growth target, I believe this is the best option to look into further. However, it's negative margin at present, so we should explore ways to counter this trend, especially since investment on this option is low.*

Exhibit 1: Impact of offering additional services

Value added service	Estimated Capital Expenditure (\$)	Estimated year on year Revenue Impact (%)	Estimated Profit Margin (%)
Tech assets (Mobile app, Website etc.)	200,000	3	0
Free pickup & drop-off*	100,000	10	-2
Clothing sanitization	300,000	3	2
Shoe shine	500,000	4	3

*A paid version of this service is currently offered by Clean-All

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Question 3 (Judgement & Insights)

Clean-All is most interested in offering a free pick-up and drop-off service because of its projected impact on revenue growth. **How could you evaluate whether launching a free pick-up and drop-off service would be a good idea for Clean-All?**

Additional information

Given that the financial attractiveness aspect is already discussed in the previous question, and assuming that Clean-All is able to invest, direct the candidate to investigating operational capability once they have provided an answer.

Possible answer

Financial attractiveness:

- *Revenue impact – how much more revenue will be made?*
- *Profit impact – how much more profit will it contribute?*

While revenue is positive, meeting the 10% target based on Exhibit 1, profit is negative, so opportunities to improve the finances will need to be investigated.

Feasibility:

- *Ability to invest in required capital expenditure and to absorb operational profit reduction*
- *Operational capability to run this initiative*

Clean-All already offers this service on a paid basis so feasibility is likely to be relatively high, at least from a capability standpoint, but we will need to investigate whether current operations could cope with more demand.

Question 4 (Numeracy)

If the pickup & drop-off is to be made free for customers, Clean-All needs to cut the operating cost of pickup & drop-off drastically. Currently, the cost of one delivery (i.e. either pickup or drop-off) is \$15. Clean-All has sought quotations from agencies that specialize in this service. The quotations are shown in Exhibit 2. **Should Clean-All continue to run their own pickup & drop-off or outsource it to one of these agencies?**

Additional information

When asked, let the candidate know that Clean-All requires 8 trips per courier in a weekday and double this over the weekend.

Possible answer

Per delivery cost - Agency A

Weekdays: $5 \times (\$90 + (\$4 \times 8)) = \$610$

Weekends: $2 \times (\$75 + (\$2.5 \times 16)) = \$230$

= $\$840 / 72$ total weekly trips = $\$11.66$

Per delivery cost - Agency B

Weekdays: $5 \times (\$70 + (\$5 \times 8)) = \$550$

Weekends: $2 \times (\$60 + (\$4 \times 16)) = \$248$

= $\$798 / 72$ total weekly trips = $\$11.08$

Per delivery cost – Own delivery network – \$15

Based on this assessment, Agency B should do the pick-up & drop. However, these calculations only tell us which company can deliver at the lowest cost - the service quality still needs to be evaluated. It might also be worth noting that Agency A is more cost effective on the weekends (i.e., busy days). If Clean-All sees its daily activity increase during the week, it would make sense to switch.

Exhibit 2: Impact of additional services

	Agency A		Agency B	
No. of pick-up or deliveries per courier	Fixed daily fees (\$)	Per pick-up or delivery trip fees (\$)	Fixed daily fees (\$)	Per pick-up or delivery trip fees (\$)
<5	100	5	80	6
5-10	90	4	70	5
11-15	80	3	60	4
15+	75	2.5	60	4

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Question 5 (Creativity)

What else should Clean-All consider to make the pick-up and drop-off service a success?

Possible answer

Ensure customer satisfaction:

- *Provide an app or website with a good user interface to track orders/deliveries*
- *Provide 5* quality customer service, such as a 24/7 phone line*
- *Build an elite branding position so customers are proud to use the service*

Ensure operational success:

- *Invest in operations capability to provide good delivery times*
- *Create flexible capacity by building partnerships or having a back-up delivery agency to handle demand spikes*
- *Consider adding additional cash-generating activities, such as adding advertising flyers to **the deliveries** which other companies pay to be delivered*
- *Ensure all courier outfits and packaging are branded to increase brand awareness*

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Question 6 (Synthesis)

What action do you recommend Clean-All takes to grow the business?

Possible answer

Clean-All engaged us to advise on revenue growth strategies that could provide 10% Year-over-year growth for the next 5 years.

We recommend Clean-All starts offering a free pick-up and drop-off service, for the following three reasons:

- *The service is expected to increase Clean-All's revenue by 10% year-on-year*
- *Competitors are offering this service, so it is a good option to remain relevant in the industry*
- *Although Clean-All has the funds to invest in other options, this option is the cheapest to implement*

It's worth noting that as currently structured, this service will eat into Clean-All's profits; Clean-All might explore limiting free pick-up and drop-off to larger orders in order to improve the margins on the service.

If we had more time, I would want to do the due diligence on Agency B to ascertain their capability to deliver laundry. I'd also want to analyze the other value-added services that emerged from the industry analysis in more detail, in case there is additional opportunity there.

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